

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 TRSE-00 EB-08 /066 W
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INFO SECDEF
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AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION EC BRUSSELS
USMISSION NATO BRUSSELS
USMISSION OECD PARIS
AMCONSUL EDINBURGH
AMCONSUL BELFAST

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E.O. 11652: GDS
TAGS: PGOV, PINT, UK
SUBJECT: GOVERNMENT WINS ON BASIS OF PACT WITH LIBERALS

REF: LONDON 4785

SUMMARY. PRIME MINISTER CALLAGHAN WON YESTERDAY'S
(MARCH 23) CONFIDENCE VOTE BY A MAJORITY OF 24 FOLLOWING
AN AGREEMENT WITH THE LIBERAL PARTY. THE TERMS OF THE
ACCORD -- A JOINT CALLAGHAN/STEEL STATEMENT -- WERE
DESCRIBED IN COMMONS BY CALLAGHAN IN HIS OPENING STATE-
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MENT. THE PACT GIVES THE LIBERALS FORMAL CONSULTATION
RIGHTS AND A COMMITMENT THAT CERTAIN OF THEIR VIEWS
WILL BE CONSIDERED BY THE GOVERNMENT, IN RETURN FOR
THEIR SUPPORT ON CONFIDENCE ISSUES. IT DOES NOT BIND
EITHER PARTY TO ACCEPT THE POSITIONS OF THE OTHER AND
WILL LAST UNTIL THE FALL WHEN BOTH PARTIES WILL CONSIDER
WHETHER IT SHOULD BE EXTENDED. THE CABINET EARLIER

APPROVED THE ACCORD BY A 20 TO 4 VOTE. CONSERVATIVE LEADER THATCHER DENOUNCED THE PACT AS THE PRODUCT OF "SHABBY. DEVIOUS MANIPULATIONS" AND PREDICTED THAT THE LIBERALS WOULD SUFFER AT THE POLLS. LABOR'S LEFT-WING ACCEPTED THE AGREEMENT AS NECESSARY, BUT IS RESERVING FURTHER JUDGEMENT. IT SEEMS TO US THAT BOTH PARTIES GOT WHAT THEY WANTED AT WHAT SEEMS A REASONABLE COST. CALLAGHAN GAINED ADDITIONAL TIME, WITH AN OPTION TO RENEW. FOR HIS ECONOMIC POLICIES TO TAKE HOLD. BUT IT MAY ENTAIL SOME POLITICAL COST. STEEL IS GAMBLING THAT HIS PARTY'S NEWLY-FOUND POLITICAL RELEVANCE WILL PAY OFF ELECTORALLY. IF HE IS RIGHT, THE FACE OF BRITISH POLITICS COULD BE TRANSFORMED; IF HE IS WRONG, EVEN DARKER DAYS COULD LIE AHEAD FOR THE LIBERALS. THE GOVERNMENT NOW APPEARS SECURE THROUGH OCTOBER, AND POSSIBLY LONGER. END SUMMARY.

1. FOLLOWING WHAT WAS ONE OF THE MOST RAUCOUS DEBATES COMMONS HAD SEEN IN YEARS, THE ANNOUNCEMENT OF A GOVERNMENT/LIBERAL PACT AND A MALADROIT PERFORMANCE BY CONSERVATIVE LEADER THATCHER, CALLAGHAN'S GOVERNMENT WAS SUSTAINED IN OFFICE BY A COMFORTABLE 24 VOTE MARGIN. THE 322/298 DEFEAT OF THE CONSERVATIVE CENSURE MOTION WAS THE PRODUCT OF A COHESIVE BLOC OF LABOR MPS (INCLUDING REG PRENTICE) PLUS 13 LIBERAL VOTES, TWO VOTES FROM NI MPS AND THE ABSTENTION OF ENOCH POWELL AND TWO OTHER ULSTER UNIONIST MPS (ONE TORY -- ANTHONY STEEN -- OVERSLEPT AND DID NOT VOTE). FOLLOWING THE VOTE, MRS. THATCHER DENOUNCED THE GOVERNMENT FOR ITS "COWARDICE" IN

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EVADING A GENERAL ELECTION TEST, AND THE LIBERALS FOR THEIR TIMIDITY. THE ACCORD, SHE SAID, WAS THE PRODUCT OF "SHABBY. DEVIOUS MANIPULATIONS", AND WOULD COST THE LIBERALS HEAVILY IN THE NEXT GENERAL ELECTION.

2. THE TERMS OF THE GOVERNMENT'S AGREEMENT WITH THE LIBERALS. DETAILED IN A JOINT CALLAGHAN/STEEL STATEMENT, CAN BE SUMMARIZED AS FOLLOWS:

-- THE LIBERALS WILL WORK WITH THE GOVERNMENT FOR ECONOMIC RECOVERY;

-- LEADER OF THE HOUSE MICHAEL FOOT WILL CHAIR A JOINT GOVERNMENT/LIBERAL CONSULTATIVE COMMITTEE TO EXAMINE GOVERNMENT POLICIES BEFORE INTRODUCTION IN THE COMMONS AND LIBERAL POLICY PROPOSALS;

-- THESE ARRANGEMENTS DO NOT COMMIT EITHER PARTY TO ACCEPT OR SUPPORT THE PROPOSALS OF THE OTHER;

-- CHANCELLOR HEALEY WILL MEET REGULARLY WITH LIBERAL ECONOMIC SPOKESMAN JOHN PARDOE, AND CALLAGHAN

WILL MEET WITH STEEL AS NECESSARY;

-- LEGISLATION FOR DIRECT ELECTIONS WILL BE INTRODUCED BEFORE PARLIAMENT RISES, AND A FREE VOTE WILL BE ALLOWED ON THE QUESTION OF PROPORTIONAL REPRESENTATION (PR);

-- TWO MINOR PIECES OF LEGISLATION WILL BE

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SUPPORTED BY BOTH PARTIES; AND

-- THE AGREEMENT WILL LAST UNTIL THE END OF THE CURRENT PARLIAMENTARY SESSION (PROBABLY OCTOBER), WHEN BOTH PARTIES WILL DECIDE WHETHER IT SHOULD BE EXTENDED.

3. THE CABINET CONSIDERED THE AGREEMENT, WHICH CALLA-

GHAN, FOOT AND STEEL HAD WORKED OUT IN THE FORENOON, AND FOLLOWING CONSIDERABLE DISCUSSION APPROVED IT BY A 20 TO 4 VOTE THE FOUR DISSENTING MINISTERS -- ENVIRONMENT
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SECRETARY PETER SHORE. ENERGY SECRETARY TONY BENN, SCOTTISH SECRETARY BRUCE MILLAN AND SOCIAL SECURITY MINISTER STAN ORME -- REPORTEDLY FELT THE ARRANGEMENT WOULD DISCOURAGE LABOR SUPPORTERS AND HURT THE PARTY IN THE NEXT ELECTION. THEY AGREED, HOWEVER, TO ACCEPT THE WILL OF THE CABINET. THE LIBERALS WERE THEN NOTIFIED THE DEAL WAS ON. SOME MEMBERS OF THE TRIBUNE GROUP INDICATED CONCERN ABOUT THE TERMS OF THE PACT. BUT ACCEPTED IT AS A FACT ON WHICH THEY WOULD RESERVE FURTHER JUDGEMENT.

4. EVEN THOUGH CALLAGHAN HAD THE LIBERAL VOTES IN THE BAG, HE DID NOT IGNORE THE ULSTER UNIONISTS. NEGOTIATIONS WITH THAT GROUP HAD BROKEN DOWN EARLIER WHEN THE GOVERNMENT REFUSED TO MEET THEIR DEMANDS FOR TOUGHER SECURITY MEASURES. CALLAGHAN NEVERTHELESS COMMITTED THE GOVERNMENT TO SET UP A SPEAKER'S CONFERENCE TO CONSIDER INCREASING NI'S REPRESENTATION IN COMMONS. THIS WAS ENOUGH TO KEEP POWELL AND THE TWO OTHERS OUT OF THE CONSERVATIVES' DIVISION LOBBY. AS EXPECTED, THE GOVERNMENT CHOSE TO IGNORE THE SPLINTER SCOTTISH LABOR PARTY, SO ITS TWO MPS JOINED THE CONSERVATIVE AND NATIONALIST PARTIES IN VOTING FOR CENSURE.

5. WE WILL BE ANALYSING THESE DEVELOPMENTS IN GREATER DEPTH. BUT AT THIS POINT IT SEEMS TO US THAT THE AGREEMENT GAVE BOTH THE GOVERNMENT AND THE LIBERALS WHAT THEY MOST WANTED AND AT A REASONABLE POLITICAL COST. CALLAGHAN MOST PROBABLY GAINED AT LEAST SEVEN MONTHS FOR LABOR'S ECONOMIC POLICIES TO TAKE HOLD AND FOR NORTH SEA OIL REVENUES TO INCREASE. AND 13 ADDITIONAL VOTES ON ALL KEY ISSUES. FOR HIS PART, STEEL ACQUIRED FOR HIS PARTY A DEGREE OF POLITICAL RELEVANCE AND POTENTIAL INFLUENCE IT HAS NOT SEEN FOR 50 YEARS. HE IS BETTING THAT THIS WILL BE ENOUGH TO REVIVE LIBERAL FORTUNES, AND HE MAY BE RIGHT. IF SO, THIS MOVE TOWARD COALITION
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POLITICS IN BRITAIN COULD BE A WATERSHED. THE UPCOMING STETCHFORD AND GRIMSBY BY-ELECTIONS WILL PROVIDE THE FIRST, BUT BY NO MEANS CONCLUSIVE, TESTS OF HIS STRAT-

EGY, AND WILL BE WATCHED CLOSELY FOR THEIR POSSIBLE SIGNIFICANCE. WE DOUBT, HOWEVER, THAT THESE BY-ELECTIONS WILL PROVE TO BE AN ACCURATE BAROMETER OF NATIONAL PERCEPTIONS. THE TORIES APPEAR TO BE THE CLEAR LOSERS, AT LEAST FOR NOW. MRS. THATCHER'S FAILURE TO BRING THE GOVERNMENT DOWN WILL ALMOST CERTAINLY DAMAGE HER STANDING, THOUGH PROBABLY AT THE MARGIN. AS THE TIMES NOTED SOMEWHAT HYPERBOLICALLY, "SHE SHOULD LIE LOW FOR A CONSIDERABLE TIME, DISMISS ALL OF HER SPEECH WRITERS AND MOVE NO FURTHER MOTIONS OF NO CONFIDENCE IN HM'S GOVERNMENT". JUST AS CLEARLY, CALLAGHAN SEEMS TO HAVE ASSURED HIS CONTINUATION IN POWER UNTIL THE FALL, AND PERHAPS LONGER.

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